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***Introduction to the  
Super Circular***

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# **Talk Amongst Yourselves...**

## **I'll Give You A Topic ...**



**The Super Circular is neither Super  
nor a Circular.  
Discuss.**

# Second Things First...

- The Super Circular is NOT a “circular”.
- Merriam-Webster: “a paper (as a leaflet) intended for wide distribution”
- The Super Circular is a Federal regulation that carries the full weight of the law.
- Officially: “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”
- 2 CFR 200

# First Things Second...

- The Super Circular is the product of the Council on Financial Assistance Reform (COFAR)
  - COFAR was created in 2011 to improve the delivery, management, coordination, and accountability of Federal grants
  - COFAR is headed by the OMB along with the 8 largest federal grant-making agencies



# According to COFAR ...

- The Super Circular was intended to combine all similar OMB regs into one location, including all or parts of these 8 previous publications:
  - Administrative requirements (A-102, A-110)
  - Federal cost principles (A-21, A-87, A-122)
  - Single audit (A-133, A-89, parts of A-50)
- According to COFAR, the Super Circular eliminated 80 pages “of overlapping, duplicative, and conflicting provisions”
- And isn’t that “Super”?



# Super Circular Overview

- Combines 8 previous Federal regulations:
  - OMB Circular A-21, *Cost Principles for Educational Institutions*
  - OMB Circular A-87, *Cost Principles Applicable to Grants and Agreements with State and Local Governments*
  - OMB Circular A-122, *Cost Principles for Non-Profit Organizations*
  - OMB Circular A-102's Common Rule, *Uniform Administrative Requirements for Grants-in- Aid to State and Local Governments*
  - OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*
  - OMB Circular A-89, *Catalog of Federal Domestic Assistance*
  - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
  - OMB Circular A-50, *Audit Follow-up*

# Super Circular Overview

## Applicability

- Federal agencies that make Federal awards to non-Federal entities
- Non-Federal entities that administer Federal awards
- Mandatory for awards to states, local governments, institutions of higher education and nonprofits
- Discretionary to commercial organizations and foreign entities
- Direct Federal grants and cooperative agreements
- Subgrants to subrecipients and procurement contracts under grants
- Exceptions are noted at §200.102

## Effective Dates

- Immediately for Federal agencies
- Administrative requirements and cost principles will apply to new awards and to additional funding to existing awards made after December 26, 2014
- Audit requirements effective for fiscal years beginning on or after December 26, 2014



# Super Circular Overview

Stated Objectives of the Super Circular include:

- Eliminating duplicative and conflicting guidance
- Focusing on performance over compliance for accountability
- Providing for consistent and transparent treatment of costs
- Strengthening oversight
- Reducing waste, fraud and abuse

# Organization / Content by Subpart

- **Subpart A** - Acronyms and Definitions, §200.000 et seq.
- **Subpart B** - General Provisions, §200.100 et seq.
- **Subpart C** - Pre-Award Requirements and Contents of Federal Awards, §200.200 et seq.
- **Subpart D** - Post-Award Requirements, §200.300 et seq.
- **Subpart E** - Cost Principles, §200.400 et seq.
- **Subpart F** - Audit Requirements, §200.500 et seq.

# Organization / Content by Appendices

- **I - Full Text of Notice of Funding Opportunity**
- **II - Contract Provisions for non-Federal Entity Contracts Under Federal Awards**
- **III - Indirect (Facilities & Administrative) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education**
- **IV - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations**
- **V - State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans**
- **VI - Public Assistance Cost Allocation Plans**
- **VII - States and Local Government and Indian Tribe Indirect Cost Proposals**
- **VIII - Nonprofit Organizations Exempted From Subpart E**
- **IX - Hospital Cost Principles**
- **X - Data Collection Form (SF-SAC)**
- **XI - Compliance Supplement [for Single Audits]**

# **Selected Highlights: General Provisions (Subpart B)**

- **Conflict of Interest**
  - Federal agencies must establish a Conflict of Interest Policy
  - Non-Federal entities required to disclose in writing any potential conflicts of interest to the Federal awarding agency or pass-through entity
- **Mandatory Disclosures**
  - Non-Federal entities required to disclose in writing any violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award



# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Standards for Financial and Program Management**

- Identification of Federal awards
- Accurate, current and complete disclosure
- Records that identify adequately the source and application of funds
- Effective control over, and accountability for, all funds, property and other assets
- Comparison of expenditures with budgeted amounts
- Written cash management procedures
- Written cost allowability procedures

# Selected Highlights: Administrative Requirements (Subparts C & D)

## Internal Controls

- OMB highlighted the internal control requirements of the Super Circular as “extremely important”
- *“Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls **should be** in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). “*
- Comply with Federal statutes, regulations and the terms and conditions of the Federal awards
- Evaluate and monitor compliance
- Take prompt action when instances of noncompliance are identified
- Take reasonable measures to safeguard protected personally identifiable information

# Selected Highlights: Administrative Requirements (Subparts C & D)

## Cost Sharing and Matching

- Contributions must meet the following:
  - Verifiable
  - Not included as contribution for any other Federal award
  - Necessary and reasonable
  - Allowable
  - Not paid by the Federal government under another Federal award
  - Are provided for in the approved budget (when required)
- Valuing contributions:
  - Donated property - Lesser of the value of the remaining life of the property recorded in the accounting records or the current fair market value
  - Volunteer services - Rates must be consistent with those paid for similar work by the non-Federal entity
  - Employee services - Valued at the employee's regular rate of pay plus an amount of fringe benefits and indirect costs
  - Third-party in-kind contributions - Fair market value of goods and services must be documented

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Program Income**

- Gross income earned as a result of grant-funded activity
- Use of program income:
  - Deduction - From total allowable costs to determine the net allowable costs
  - Addition - Requires prior approval
  - Cost sharing or matching - Requires prior approval

## **Period of Performance**

- Charge allowable costs incurred during the period of performance (and any costs incurred before the award made that were authorized)



# Selected Highlights: Administrative Requirements (Subparts C & D)

## Revision of Budget and Program Plans

- Following revisions require prior approvals:
  - Scope change
  - Change in specified key person
  - Disengagement from project for more than 3 months or a 25% reduction in time devoted to the project
  - Inclusion of costs that require prior approval
  - Transfer of funds
  - Changes in the amount of approved cost-sharing or matching
- Other waivers include:
  - Incur project costs 90 calendar days before the Federal awarding agency makes the Federal award
  - Initiate a one-time extension of the period of performance by up to 12 months
  - Carry forward of unobligated balances

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Property Standards**

- **Real Property**
  - Vests upon acquisition (and when used for the originally authorized purpose) in the non-Federal entity
  - When disposed, must obtain disposition instructions (retain title, sell property, or transfer title)
- **Equipment**
  - Vests upon acquisition in the non-Federal entity
  - Equipment management requirements until disposition include:
    - Property records
    - Physical inventory count (at least every 2 years)
    - Control system developed
    - Adequate maintenance procedures
    - Proper sales procedures

# Selected Highlights: Administrative Requirements (Subparts C & D)

## Procurement Standards

- Based on OMB Circular A-102
- All non-Federal entities must have and follow documented procurement procedures
- Requires oversight to ensure contractors perform in accordance with terms, conditions and specifications
- All non-Federal entities must maintain written standards of conduct covering conflicts of interest

# Selected Highlights: Administrative Requirements (Subparts C & D)

- Five methods of procurement:
  - Micro-purchases - Acquisition of supplies or services <\$3,000
    - Don't require competitive quotations
  - Small purchase procedures - Simple and informal acquisitions < Simplified Acquisition Threshold (\$150,000 as of today)
    - Price or rate quotations must be obtained from an adequate number of qualified sources
  - Sealed bids (formal advertising) - Publicly solicited bids and a firm fixed price contract awarded
  - Competitive proposals - Used when sealed bids are not appropriate
    - More than one source submits an offer and either a fixed price or cost-reimbursement type contract awarded
  - Noncompetitive proposals - Solicitation from one source when one or more of the following circumstances apply:
    - Item available only from a single source
    - Public emergency will not permit for a delay
    - Federal awarding agency authorizes in response to a written request, or
    - After solicitation, competition is determined inadequate



# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Performance and Financial Monitoring and Reporting**

- Financial reporting - OMB-approved form
- Monitoring compliance and performance
- Real property - At least annual status of real property must be reported

# Selected Highlights: Administrative Requirements (Subparts C & D)

## Subrecipient Monitoring and Management

- **Subrecipient** - Purpose is to carry out a portion of a Federal award and creates a Federal assistance relationship
  - Determines eligibility
  - Performance measured in relation to Federal program
  - Programmatic decision making
  - Federal program requirements
  - Uses the Federal funds to carry out a program
- **Contractor** - Purpose is to obtain goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor
  - Provides the goods and services within normal business operations
  - Provides similar goods or services to many different purchases
  - Normally operates in a competitive environment
  - Provides goods or services that are ancillary to the operation of the Federal program
  - Not subject to compliance requirements of the Federal program

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

- **Pass-through entity requirements:**
  - Evaluate subrecipient's risk of noncompliance
  - Subaward agreement must include:
    - Federal award identification information
    - Requirements in accordance with Federal statutes and regulations
    - Approved indirect cost rate
    - Access to records and financials statements
    - Close-out terms and conditions
  - Monitor activities
  - Verify audit requirements met

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Record Retention and Access**

- Financial records, supporting documents, statistical records, and all other entity records pertinent to a Federal award
- Maintained for three years from the date of submission of the final expenditure report
- Certain exceptions



# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Remedies for Noncompliance**

- Additional conditions
- Temporarily withhold cash payments
- Disallow all or part of the cost
- Wholly or partly suspend or terminate the Federal award
- Initiate suspension or debarment proceedings
- Withhold further Federal awards for the project or program

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Closeout**

- Submit final financial, performance and other required reports
- Liquidate all obligations incurred not later than 90 days after the end date
- Make prompt payments for allowable reimbursable costs
- Refund any balances of unobligated cash
- Account for any real and personal property acquired with Federal funds

# **Selected Highlights: Administrative Requirements (Subparts C & D)**

## **Post-Closeout Adjustments and Continuing Responsibilities**

- Right to disallow costs and recover funds based on later audit or review
- Obligation to return any funds due as a result of later refunds, corrections or other transactions including final indirect cost rate adjustments
- Audit requirements
- Property management and disposition requirements
- Records retention

# **Selected Highlights: Cost Principles (Subpart E)**

- Do not apply to:
  - Loans, scholarships, fellowships, or traineeships
  - Capitation awards (for Institutions of Higher Education)
  - Fixed amount awards
  - Federal awards to hospitals (see Appendix IX)
- Allowability factors:
  - Necessary, reasonable and allocable
  - Conform to any limitations or exclusions
  - Consistent with policies and procedures
  - Given consistent treatment
  - Determined in accordance with GAAP
  - Not included as a cost or used to meet cost sharing or matching requirements
  - Be adequately documented
- Prior written approvals



# Selected Highlights: Cost Principles (Subpart E)

- **Direct Costs** - Costs that can be assigned or identified “specifically” with an award cost and can be assigned relatively easily with a high degree of accuracy
- **Indirect Costs** - Costs that are necessary for the overall operations of an organization, although a direct relationship with a particular cost objective cannot be shown without effort disproportionate to the benefit received

# Selected Highlights: Cost Principles (Subpart E)

- Indirect Cost Rates:
  - Negotiated rates must be accepted by all Federal awarding agencies
    - May apply for a one-time extension of a current negotiated rate for a period of up to four years
    - At the end of the four-year extension period, the non-Federal entity must re-apply to negotiate a rate
  - Any non-Federal entity that has never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC)

# **Selected Highlights: Cost Principles (Subpart E)**

- Audit Services - Reasonably proportionate share of the costs of audits required by and performed in accordance with the Single Audit Act
- Bad Debts - Including losses (whether actual or estimated) arising from uncollectable accounts are unallowable

# **Selected Highlights: Cost Principles (Subpart E)**

- Compensation (personal services) - Salaries and wages are allowable and must be distributed among specific activities or cost objectives based on actual effort
- Compensation (fringe benefits) - Allowable provided they are reasonable and are required by law, non-Federal entity-employee agreement or an established policy of the non-Federal entity



# **Selected Highlights: Cost Principles (Subpart E)**

- Conferences - Allowable when necessary and reasonable for successful performance under the Federal award
- Contributions and donations - Typically unallowable
- Depreciation - Allowable if asset purchased with own funds and adequately documented
- Entertainment costs - Typically unallowable
- Equipment and other capital expenditures - Typically require prior approval
- Fines and penalties - Typically unallowable

# **Selected Highlights: Cost Principles (Subpart E)**

- Fundraising and Investment Management Costs - Costs to raise unrestricted funds are unallowable
- Intellectual Property -
  - Patent Costs - Allowable to the extent title or royalty-free license is required by the Federal government to be conveyed to the Federal government
  - Royalties - Allowable if necessary for the proper performance of the Federal award
- Interest - On borrowed capital is unallowable
- Lobbying costs - Unallowable

# **Selected Highlights: Cost Principles (Subpart E)**

- Materials and Supplies - Allowable to the extent necessary to carry out a Federal award
- Memberships, Subscriptions, and Professional Activity Costs - Memberships in and subscriptions to business, technical and professional organizations/periodicals are allowable
- Professional Service Costs - Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the non-Federal entity
- Proposal Costs - Of preparing bids, proposals or applications on potential Federal and non-Federal awards should be treated as indirect costs

# **Selected Highlights: Cost Principles (Subpart E)**

- Recruiting Costs - To be allowable must be reasonable and conform with established practices of the non-Federal entity
- Relocation Costs - Allowable provided that certain criteria met
- Rental Costs - Allowable to the extent rates are reasonable
- Taxes - Allowable if entity required to pay tax and no exemption available
- Training and Education - Provided for employee development is allowable
- Travel Costs - Can be charged on an actual cost basis, on a per diem or mileage basis, or on a combination of two



# **Selected Highlights: Audit Requirements (Subpart F)**

- Effective for recipients and subrecipients' fiscal years beginning on or after December 26, 2014
- Threshold for triggering an audit increased from \$500,000 to \$750,000
- Report Submission - Earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the end of the audit period
  - Data collection form (SF-SAC)
  - Reporting package

# **Selected Highlights: Audit Requirements (Subpart F)**

- **Auditee Responsibilities:**
  - Procure/arrange for an audit
  - Prepare appropriate financial statements, including the schedule of expenditures of Federal awards (SEFA)
  - Promptly follow-up and take corrective action on audit findings
    - Corrective action plan must be in a document separate from the auditor's findings and must provide:
      - The name(s) of the contact person(s) responsible for corrective action
      - The corrective action planned
      - The anticipated completion date
  - Provide the auditor with access to personnel, accounts, books, records and other supporting documentation as needed for the audit

# Selected Highlights: Audit Requirements (Subpart F)

- Audit Finding Attributes:
  - Program identification (CFDA number)
  - Condition
  - Criteria
  - Cause
  - Asserted effect
  - Questioned costs (if any)
  - Perspective on prevalence or condition
  - Repeat finding?
  - Recommendation
  - Views of responsible auditee officials
- Management Decisions - Decision by Federal agency office as to what is going to be done about a particular audit finding

# More Information

- Federal Register, Vol. 78, No. 248 - December 26, 2013
- Council on Financial Assistance Reform (COFAR)
- AICPA Government Audit Quality Center



# Sources

- “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards”, 2 CFR 200
- Smith & Gesteland, “Mastering the Super Circular”
- AGA Greater Lansing Chapter / Rehmann, “OMB ‘Super Circular’”
- Wisconsin Department of Children & Families, “Implementing the Super-Circular”

# Next Steps: 3 Things

- Step 1: Get your own copy of the Super Circular!

Go to:

<http://1.usa.gov/1c8foRC>

- Step 2: Read it over, especially those sections that apply to you and your work.
- Step 3:



